

TROY COMMUNITY LAND BANK

**Financial Statements as of
December 31, 2019
Together with Independent
Auditor's Reports**

Bonadio & Co., LLP
Certified Public Accountants

TROY COMMUNITY LAND BANK

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INDEPENDENT AUDITOR'S REPORT

March 27, 2020

To the Board of Directors of
Troy Community Land Bank

Report on the Financial Statements

We have audited the accompanying financial statements of the business type activities of Troy Community Land Bank Corporation (Land Bank), (a component unit of the City of Troy, New York), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Land Bank's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business type activities of Troy Community Land Bank Corporation, as of December 31, 2019, and the changes in its financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2020 on our consideration of the Land Bank's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Land Bank's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Land Bank's internal control over financial reporting and compliance.

TROY COMMUNITY LAND BANK

Management's Discussion and Analysis (Unaudited) (In Thousands)

The following is a discussion and analysis of the Land Bank's financial performance for the fiscal year ended December 31, 2019. The section is a summary of the Land Bank's financial activities based on currently known facts, decisions, or conditions. This section is only an introduction and should be read in conjunction with the Land Bank's financial statements which immediately follow this section.

Financial Highlights

- The Land Bank's net position decreased approximately \$141,000 this year. Much of this decrease is attributable to a decrease in the Land Bank's property portfolio through additional property dispositions which increased the cost of sales.
- Revenue from property sales in fiscal year 2019 was approximately \$255,000 an increase of \$125,000 from the approximately \$130,000 in property sales in fiscal year 2018.
- The increase in property sales, addition of new properties and commensurate increase in value of property improvements and ongoing maintenance resulted in a corresponding increase in operating expenses, including professional fees, insurance and other related expenses.
- Property held for sale was valued at approximately \$449,000 as of December 31, 2019.
- The Land Bank's primary revenue to support operations is from grant funds. These grant funds constitute 24% of its revenue and at the present time, the Land Bank's continued viability is reliant on these grants.

Overview of Financial Statements

The basic financial statements include the statement of net position, statement of revenues, expenses and change in net position, statement of cash flows, and notes to the financial statements.

The first of these statements is the statement of net position. This is the statement of financial position presenting information that includes all of the Land Bank's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Land Bank as a whole is improving or deteriorating. Evaluation of the overall economic health of the Land Bank must include other non-financial factors such as the economic picture of the City, County and the State, in addition to the financial information provided in this report.

The second statement is the statement of revenues, expenses and changes in net position, which reports how the Land Bank's net position changed during the current and previous fiscal year. Revenues and expenses are included when earned or incurred, regardless of when cash is received or paid. The third statement is the statement of cash flows, which shows the sources and uses of cash.

The accompanying notes to the financial statements provide information essential to a full understanding of the financial statements.

TROY COMMUNITY LAND BANK

Management's Discussion and Analysis (Unaudited)
(In Thousands)

Financial Analysis

Below is a summary of the statements of net position and the statements of revenues, expenses and changes in net position for the years ended December 31, 2019 and 2018:

Summary of Net Position

	<u>2019</u>	<u>2018</u>	<u>\$ Change</u>	<u>% Change</u>
Current assets	\$ 1,222,500	\$ 874,542	\$ 347,958	40%
Non-current assets	769	1,184	(415)	-35%
Total assets	<u>1,223,269</u>	<u>875,726</u>	<u>347,543</u>	40%
Current liabilities	<u>644,888</u>	<u>155,522</u>	<u>489,366</u>	315%
Total liabilities	<u>644,888</u>	<u>155,522</u>	<u>489,366</u>	315%
Net Position				
Net investment in capital assets	769	1,184	(415)	-35%
Unrestricted	<u>577,612</u>	<u>719,020</u>	<u>(141,408)</u>	-20%
	<u>\$ 578,381</u>	<u>\$ 720,204</u>	<u>\$ (141,823)</u>	-20%

In its sixth year of the Land Bank's existence, the Land Bank's net position decreased approximately \$142,000. Current assets increased due accounts receivable from Office of the Attorney General grant due to the Land Bank for \$500,000. There was a decrease in property held for resale for approximately \$47,000. This was due to the sale of twelve properties which removed approximately \$861,000 from inventory and increasing inventory approximately \$814,000 from new acquisitions and capital improvements. Non-current assets decreased due to capital assets.

Summary of Changes in Net Position

	<u>2019</u>	<u>2018</u>	<u>\$ Change</u>	<u>% Change</u>
Operating Revenue:				
Sale of property	\$ 255,400	\$ 129,661	\$ 125,739	97%
Donation of property for sale	496,000	60,000	436,000	727%
Grants	271,011	514,111	(243,100)	-47%
Other income	<u>83,960</u>	<u>6,847</u>	<u>77,113</u>	1126%
Total operating revenues	<u>1,106,371</u>	<u>710,619</u>	<u>395,752</u>	56%
Operating Expenses	<u>1,248,730</u>	<u>861,199</u>	<u>387,531</u>	45%
Operating loss	<u>(142,359)</u>	<u>(150,580)</u>	<u>8,221</u>	-5%
Non-operating revenues:				
Other	<u>536</u>	<u>479</u>	<u>57</u>	12%
Change in net position	(141,823)	(150,101)	8,278	-6%
Net position - beginning of year	<u>720,204</u>	<u>870,305</u>	<u>(150,101)</u>	-17%
Net position - end of year	<u>\$ 578,381</u>	<u>\$ 720,204</u>	<u>\$ (141,823)</u>	-20%

TROY COMMUNITY LAND BANK

Management's Discussion and Analysis (Unaudited) (In Thousands)

The Land Bank in its sixth year of operations saw an increase in operating revenue. The increase is due to selling twelve properties in fiscal year 2019, which was an increase from the nine properties sold in fiscal year 2018. In addition, the Land Bank acquired ten parcels of property an increase from the five parcels acquired in 2018 with a total inventory at December 31, 2019 of thirty-eight properties. This increase in activity also affected operating expenses, increasing them by approximately \$388,000. Donated properties increased due to the Land Bank acquiring eight parcels for a value of \$496,000.

Economic Factors

The Land Bank continues to look for funding opportunities to further its mission of promoting local development. Each year, the Land Bank will evaluate opportunities for investment of its resources in furthering this mission.

Contacting Administration

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the Land Bank's finances and to show the accountability for the money received. If you have questions about this report or need additional financial information, contact the Troy Community Land Bank Corporation's Executive Director at 200 Broadway, Suite 701, Troy, New York 12180.

TROY COMMUNITY LAND BANK CORPORATION

**Statement of Net Position
December 31, 2019**

ASSETS

Cash	\$	264,141
Accounts receivable		500,000
Property held for sale		448,909
Prepaid expenses		<u>9,450</u>
Total current assets		<u>1,222,500</u>
Capital assets, net		<u>769</u>
Total assets		<u>1,223,269</u>

LIABILITIES

Accounts payable		16,601
Accrued liabilities		49,233
Unearned grant revenue		<u>579,054</u>
Total current liabilities		<u>644,888</u>
Total liabilities		<u>644,888</u>

NET POSITION

Net investment in capital assets		769
Unrestricted - property held for resale		448,909
Unrestricted - available for operations		<u>128,703</u>
	\$	<u>578,381</u>

The accompanying notes are an integral part of these statements.

TROY COMMUNITY LAND BANK CORPORATION

**Statement of Revenue, Expenses, and Change in Net Position
For the Year Ended December 31, 2019**

OPERATING REVENUE

Sale of property	\$	255,400
Donation of property for sale		496,000
Grant revenue		271,011
Donations and other		<u>83,960</u>
Total operating revenue		<u>1,106,371</u>

OPERATING EXPENSES

Cost of property sold		864,721
Property maintenance		149,767
Salaries and benefits		92,488
Professional fees		82,940
Insurance		44,610
Office and administrative		10,769
Dues and subscriptions		2,420
Depreciation		415
Property taxes		<u>600</u>
Total operating expenses		<u>1,248,730</u>

Operating loss (142,359)

NON-OPERATING REVENUES

Interest 536

CHANGE IN NET POSITION (141,823)

NET POSITION - beginning of year 720,204

NET POSITION - end of year \$ 578,381

The accompanying notes are an integral part of these statements.

TROY COMMUNITY LAND BANK CORPORATION

Statement of Cash Flows

For the Year Ended December 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from property sales	\$	261,554
Grant revenue		208,841
Other receipts		83,960
Payments to employees for salaries and benefits		(92,176)
Payments to vendors for goods and services		<u>(564,194)</u>

Net cash flows from operating activities (102,015)

CASH FLOWS FROM INVESTING ACTIVITIES

Receipts from interest earnings		<u>537</u>
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Net change in cash (101,478)

Cash, beginning of year 365,619

Cash, end of year \$ 264,141

RECONCILIATION OF OPERATING LOSS TO NET CASH FROM OPERATING ACTIVITIES

Operating loss	\$	(142,359)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation		415
Property donated (non-cash revenue)		(496,000)
Cost of property sales		542,966
Change in assets and liabilities:		
Accounts receivable		(493,846)
Prepaid expenses		(2,557)
Accounts payable and accrued liabilities		51,536
Unearned grant revenue		<u>437,830</u>

Net cash flows from operating activities \$ (102,015)

TROY COMMUNITY LAND BANK

Notes to Basic Financial Statements December 31, 2019

1. ORGANIZATION

Nature of Organization

Troy Community Land Bank Corporation (Land Bank) was organized in 2014, and is governed by its articles of incorporation, bylaws and the laws of the State of New York. The Land Bank was established to facilitate the process of acquiring, improving and redistributing vacant and abandoned properties in the City of Troy (City). The Land Bank's Board of Directors is comprised of a majority of individuals appointed by the City. The Land Bank is considered a component unit of the City for financial reporting purposes.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Land Bank's financial statements have been prepared on the accrual basis of accounting using the economic resources measurement focus, in accordance with U.S. generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board (GASB). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Cash

Custodial credit risk related to cash deposits is the risk that in the event of a failure of a depository financial institution, the reporting entity may not recover its deposits. In accordance with the Land Bank's investment policy, all deposits of the Land Bank including certificates of deposit and special time deposits, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act (FDIA) shall be secured by a pledge of securities with an aggregate value equal to the aggregate amount of deposits.

The Land Bank had bank balances of \$268,561 at December 31, 2019 all of which are insured by the Federal Deposit Insurance Corporation (FDIC).

Prepaid Expenses

Prepaid expenses represent payments made by the Land Bank for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are reported in the statement of net position as an asset using the consumption method. A current asset for the prepaid amounts is recorded at the time of purchase and an expense is reported in the year the goods or services are consumed.

TROY COMMUNITY LAND BANK

Notes to Basic Financial Statements

December 31, 2019

Property Held for Sale

The Land Bank primarily acquires its property held for sale from the City for the purpose of improving those properties and returning them to productive use on the property tax rolls. These properties are recorded at cost at the time of acquisition or if donated its acquisition value. Depending on the condition of the property at the time of acquisition, certain capital costs may be required to improve that property and ready it for resale. The additional capital costs are included in the value of the property.

Capital Assets, Net

Capital assets are reported at historical cost. Donated assets are reported at estimated fair value at the time received. Capitalization thresholds, (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the statement of net position are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Furniture and equipment	\$500	SL	5-7 years

Net Position Classifications

In the financial statements, there are three possible classifications of net position:

Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of debt, if any, that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position - net position with the constraints placed on their use either by (1) external groups such as creditors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. The Land Bank did not have restricted net position at December 31, 2019.

The unrestricted component of net position is net investment of capital assets or the restricted component of net position.

The Land Bank's policy is to first utilize available restricted, when available, and then unrestricted resources in the conduct of its operations.

TROY COMMUNITY LAND BANK

Notes to Basic Financial Statements

December 31, 2019

Classification of Revenue and Expense

Operating revenues are those that result from the provision of services related to the Land Bank's principal purposes, and are generally associated with exchange transactions. Nonoperating revenues result from activities that are not directly related to the Land Bank's principle purposes, but that exist in order to support them, and generally consist of nonexchange transactions. Other additions arise from grants provided for capital improvements on properties held for resale and are non-exchange transactions.

Grant Revenue – Attorney General

The Land Bank currently has one grant totaling \$500,000 from the New York State Office of the Attorney General that covers the period January 1, 2019 through December 31, 2020. The grants are to be used for capital improvements to acquired properties, property maintenance and other operating expenses related to the acquired properties. The grants are paid on a periodic basis based on the estimated needs specifically related to the properties and includes adjustments for unspent funds from previous advances. Accordingly, funds received in advance of disbursement are recognized as unearned grant revenue and disbursements exceeding amounts received are recognized as grant receivable.

Income Taxes

The Land Bank is a not-for-profit local development corporation under Article 16 of New York State not-for-profit corporation law and is exempt from federal income taxes and New York State taxes. Accordingly, no income tax provision has been made.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenue and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of depreciation using useful lives of capital assets.

2. PROPERTY HELD FOR SALE

The Land Bank's activity related to property held for sale during fiscal year ending December 31, 2019 is as follows:

Fiscal Year	Balance at Beginning of Year	Purchased Property Acquisitions	Capital Improvements	Cost of Property Sales	Adjustment to Property Values	Balance at End of Year
2019	\$ 495,876	\$ 496,000	\$ 318,309	\$ (207,426)	\$ (653,850)	\$ 448,909

The Land Bank acquired 10 parcels of property in fiscal year 2019. The Land Bank sold 12 parcels of property in fiscal year 2019. In 2019 the 12 parcels of property were sold for total consideration of \$255,400 resulting in a loss on disposition of those properties of \$47,223.

TROY COMMUNITY LAND BANK

Notes to Basic Financial Statements December 31, 2019

3. CONCENTRATIONS

The Land Bank received 24% of its revenue from the New York State Office of the Attorney General for the year ended December 31, 2019. At the present time, the Land Bank's continued viability is reliant on the grants provided by the New York State Office of the Attorney General.

4. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Land Bank is subject to various lawsuits and claims. Management believes that the ultimate resolution of these matters will not have a significant effect on the Land Bank's financial position.

The Land Bank participates in a grant program. The program could be subject to financial and compliance audits and may be conducted in accordance with grantor requirements on a periodic basis. The amounts, if any, of expenses which may be disallowed by the granting agency cannot be determined at this time although the Land Bank believes, based upon its review of current activity, the amount of such disallowances, if any, will be immaterial.

The Land Bank has entered into an agreement with Social Enterprise and Training Center, Inc. (SEAT), to provide administrative assistance such as construction project consulting/management, preliminary construction cost estimating and general planning and consultation. The Land Bank also entered into a co-development agreement with SEAT for one property.

5. SUBSEQUENT EVENT

As of the date of this report, the United States and the local area served by the Land Bank is in the midst of a national health emergency related to a virus, commonly known as Novel Coronavirus (COVID-19). The overall consequences of COVID – 19 on a national, regional and local level are unknown, but it has the potential to result in a significant economic impact. The impact of this situation on the Land Bank and its future operations and financial position is not presently determinable.

OTHER REQUIRED REPORT

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

March 27, 2020

To the Board of Directors of
Troy Community Land Bank

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the business type activities of Troy Community Land Bank Corporation (Land Bank), a component unit of the City of Troy, New York as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Land Bank's basic financial statements, and have issued our report thereon dated March 27, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Land Bank's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Land Bank's internal control. Accordingly, we do not express an opinion on the effectiveness of the Land Bank's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatement on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Land Bank’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.